

## THE USE OF MANAGEMENT CONTROL TO GUIDE MARKETING DEPARTMENT POWER IN ESTABLISHING MARKET ORIENTATION: A RESOURCE DEPENDENCE PERSPECTIVE

Corina Marx, RWTH Aachen University, Germany  
Malte Brettel, RWTH Aachen University, Germany

### ABSTRACT

Market orientation, an important organizational concept, is fundamentally driven by the marketing department, as marketing exerts its power to spread a market-oriented mindset throughout the organization. While the determinants and success-related benefits of market orientation have been broadly studied, the conditions under which it is established have been largely neglected. Addressing this gap, this paper investigates the associated role of the marketing department's power in the creation of market orientation and how it is moderated by means of managerial control. Based on a Resource Dependence Theory (RDT) perspective, it is argued that top management depends on marketing to exert its power in order to induce market-oriented behaviors and values firm-wide, and that to manage this dependence top management initiates control. To observe the moderating effect of managerial control, we differentiate between formal and informal controls as Organizational Control Theory (OCT) suggests that the feasibility and effectiveness of controls is affected by the respective task context. Previous literature noted that establishing market orientation reflects a process of cultural transformation (Gebhardt et al. 2006) and therefore describes a changing and uncertain environment. Following OCT, formal controls are impaired in uncertain context settings, whereas informal controls serve as a "fall-back" option that is effective in such contexts. Therefore, we advance current conceptualizations of management control in market orientation research by applying formalization, centralization and output control as forms of formal control, and being the first to include socialization and selection & training as informal controls. The study aims to show that informal controls are suitable mechanisms to foster marketing departmental power in the creation of market orientation.

An empirical study was conducted among 167 senior management executives (CEO or the head of marketing) of German firms. The regression analysis confirms that marketing's power drives market orientation and reveals that within the context of market orientation only socialization as an informal control yields a positive effect, while the formal controls of formalization and output control as well as selection & training are negatively related to the creation of market orientation. Therefore, the informal control of socialization is the only suitable means to indirectly influence marketing's behavior within the context of market orientation. Formal controls appear to be unsuitable and the results indicate that an inappropriate reliance on formal control even hampers the goal of establishing market orientation. The negative effect of selection & training, which has been treated as an informal control, points to the conclusion that the formal control aspects of selection & training may be stronger indicators of this type of control than the informal aspects that we emphasized. An additional interesting finding emerges from the direct inclusion of the control forms in the main model. To this point, market orientation research has neglected informal organizational systems as antecedents of market orientation, however our study shows that if applied to all units and not only directed at the marketing department both socialization and selection & training present valuable structures that support market orientation beyond the regular formal systems. The paper closes by discussing the implications, avenues for further research, and practitioner lessons.

References available upon request